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# Crack the Code

## Mid-Year Tax Strategies for a Shifting Landscape

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Certified B Corporation

# Learning Objectives

- Describe the key provisions of the “One Big Beautiful Bill"
- Explain how tax changes may impact your business or personal situation
- Identify potential risk areas under the current administration
- Evaluate whether to adjust investments, entity structures or estate plans
- Define year-end actions to help position yourself for 2025

**CPE INFORMATION**

Program Level: BASIC

Recommended CPE: 1

Field of Study: TAXES

Program Prerequisite: NONE

Advanced Preparation: NONE

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WELCOME

# Today’s Presenters

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# The Big Picture: Policy Update from Washington

The One Big Beautiful Bill Act (OBBBA) was signed into law July 4, 2025

- Modifies spending for a wide range of federal programs
- Implements structural reforms across agencies and programs to align with the administration's priorities
- Raises the statutory debt ceiling
- Extends and implements major changes to tax provisions

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# Key Tax Provisions Impacting Businesses

- Bonus depreciation/Section 179
- 199A deduction enhancements
- R&D expensing updates
- Business interest expense
- 1% floor for charitable contributions
- International taxation changes

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# Bonus Depreciation / Section 179 changes

- Permanently restores 100% bonus depreciation for qualifying assets placed in service after January 19, 2025
- Temporarily allows 100% expensing for new manufacturing buildings placed in service date before January 1, 2031
- Increase Section 179 cap to an inflation-adjusted \$2.5M beginning after 12/31/24 (with phasedown starting when cost of qualifying property exceeds inflation-adjusted \$4M)

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# Section 199A: Qualified Business Income Deduction

- Makes 199A permanent – no change to current 20% deduction
- Increase phase-in range from $50,000 to $75,000 (single filers) and from $100,000 to $150,000 (joint filers)

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# R&D / Section 174

- Permanently restores immediate expensing for DOMESTIC R&D expenditures beginning after 12/31/24
- Small businesses can retroactively expense back to after 12/31/21 (2022 tax year) by making an election and filing amended returns
- All other business can accelerate unamortized domestic R&D expenditures in 2025, or spread evenly over 2025 and 2026 tax years
- Capitalization of FOREIGN R&D remains unchanged (15 years)

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# Interest Limitations – Section 163(j)

- Permanently reinstates Section 163(j) adjusted taxable income to EBITDA for tax years starting after December 31, 2024

# Charitable Contributions

- Permanently instates a 1% floor on corporate charitable contributions beginning for tax years starting after December 31, 2025

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# Global Intangible Low-Tax Income (GILTI)

- Permanently decreases the section 250 GILTI deduction to 40% for tax years beginning after December 31, 2025
- Effective tax rate increases from 10.5% to 12.6%
- Renames GILTI to "net CFC testing income" (NCTI)

# Foreign Derived Intangible Income (FDII)

- Permanently decreases the section 250 FDII deduction 33.34% for tax years beginning after December 31, 2025
- Effective tax rate increases from 13.125% to 14%
- Renames FDII to "foreign-derived deduction eligible income" (FDDEI)

# Base Erosion and Anti-Abuse Tax (BEAT)

- Permanently changes BEAT rate to 10.5%
- Maintains the current base erosion percentage threshold at 3%

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# Key Tax Provisions Impacting Individuals:

## Makes permanent several TCJA Provisions:

- Individual tax rates and brackets
- Increased standard deductions
- Repeals personal exemptions
- Repeals most miscellaneous itemized deductions
- Excess business loss limitation – limits business losses to $626K in year 1, then converts to an NOL
- Limits home mortgage interest deduction for acquisition of indebtedness to $750K

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# New Individual Provisions:

- Deduction for tip income (up to $25,000)
- Deduction for overtime pay (up to $25,000)
- Auto loan interest deduction (up to $10,000)
- Deduction for seniors for 2025-2028 of up to $6,000 with income limits
- Creates a .5% floor on itemized deductions for charitable contributions
- Creates a permanent $2,000 above the line deduction for charitable contributions

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# Extended Individual Provisions:

## Opportunity Zones

- New Opportunity Zone Designations
  - Each governor can designate new OZs in their state effective 1/1/27
- Extension/Modification of Current OZ Benefits
  - In new OZs, the taxpayer may defer recognizing gain until 2033
  - Exclusion of 10% of the deferred gain if held for at least 5 years for investments made after 2026
- New Benefit for Rural OZs
  - The 10% exclusion for the 5-year holding period is increased to 30%

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# Estate and Gift Tax:

- Permanently increases the estate and gift tax exemption to $15M/person for tax years 2026 and beyond, indexed for inflation in future years

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# Qualified Small Business Stock (QSBS)

- Tiered gain exclusion for QSBS allowing: (1) 50% exclusion for shares held more than three years, (2) 75% exclusion for shares held more than four years, or (3) 100% exclusion for shares held more than five years.
- Increases the per-issuer dollar cap from $10 million to $15 million (indexed to inflation beginning in 2027).
- Increases the corporate-level gross assets ceiling from $50 million to $75 million (indexed to inflation beginning in 2027).

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# Child Tax Credit

- Makes permanent TCJA increased child tax credit.
- Makes permanent the additional child tax credit ($1,700 in 2025) adjusted for inflation thereafter.
- The nonrefundable child tax credit is increased to $2,200 effective in 2026.

# Clean Energy Tax Credits

- Accelerated phaseout of certain tax credits

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# Employee Retention Tax Credits (ERC)

- Scope of existing penalties expanded to address ERC specific misconduct after date of enactment.
- Expands 20% erroneous refund penalty under section 6676 to include employment tax refunds.
- Bars allowance of ERC refunds for the third and fourth quarters of 2021 claimed after Jan. 31, 2024.
- Extends the statute of limitations for IRS assessment to six years from the date of the claim.

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# State and Local Tax (SALT) Deduction

- SALT limitation raised to $40,000 ($20,000, for married separate filers) beginning in 2025 through tax year 2029, after which the limitation reverts to $10,000 ($5,000 for married separate filers).
- The cap increases by 1% each year after 2025 and before 2030.
- For tax years 2025 through 2029, the limitation is phased down for taxpayers with modified adjusted gross income (AGI) over $500,000.
- Under this phasedown, the $40,000 limitation is reduced by 30% of the excess of modified AGI over the threshold amount, not to be reduced below $10,000.

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# Pass-Through Entity Taxes (PTET)

- The Act does not change the deductibility of pass-through entity taxes ("PTET").
- A prior Senate version of the bill contained a 50% PTET deduction limitation, and a prior House version contained a limitation for certain businesses providing services such as doctors, lawyers, and accountants.
- These proposed limitations were stricken from the final legislation.
- However, certain state PTET rules potentially will require state action.

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# States generally conform to the IRC on a:

- Rolling basis
- Fixed date (static) basis
- Selective basis

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# Examples of State Conformity Considerations for:

- IRC 174 Research & Experimental expense
- IRC 163(j) business interest expense
- Section 168(k) bonus depreciation
- Global intangible low-taxes income (GILTI) and Foreign derived intangible income (FDII)

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# Q&A

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# Thank you for attending

## Additional Questions?

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